

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2406 – SB 2482

May 29, 2014

SUMMARY OF ORIGINAL BILL: Adds language to existing law to clarify that art galleries that serve wine may not serve to patrons under 21.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (016763): Deletes all language after the enacting clause. Adds a new class of limited service restaurant for restaurants with 0-15 percent of total sales consisting of food sales. Establishes the licensing fee at \$5,000. Establishes a rebuttable presumption that a limited service restaurant license applicant has food sales between 0 and 15 percent. Prohibits limited service restaurants with 0-15 percent of total sales consisting of food sales from selling alcoholic beverages on sidewalks, streets, or alleys.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$315,000/FY14-15/ABC Fund
Exceeds \$432,000/FY15-16 and Subsequent
Years/ABC Fund

Assumptions for the bill as amended:

- There are approximately 100 limited service restaurants currently licensed as having food sales representing between 15 and 20 percent of total sales.
- Approximately 50 percent of these entities, or 50 restaurants, are assumed to have annual food sales below the minimum 15 percent threshold. As a result, these establishments will be licensed under the new limited service restaurant license proposed by this bill as amended.
- The price of the new license is \$5,000 per year. The price of the current license, for entities with 15 to 20 percent of total sales consisting of food sales, is \$4,000 per year. The recurring increase in state revenue to the Alcoholic Beverage Commission (ABC)

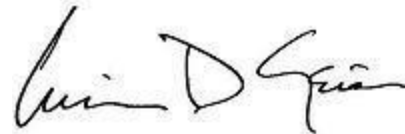
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Fund is estimated to be \$50,000 [50 licenses x (\$5,000 new proposed license rate - \$4,000 current license rate)].

- Fifty new establishments will become licensed in FY14-15 that would not have been licensed in the absence of the bill. As a result, there will be a recurring increase in state revenue estimated to be \$250,000 (50 new licensees x \$5,000 license fee) to the ABC Fund.
- The one-time application fee for these new licensees is \$300. The one-time increase in state revenue to the ABC Fund attributable to the application fees for FY14-15 is estimated to be \$15,000 (\$300 application fee x 50 new licensees).
- The total increase in state revenue to the ABC Fund in FY14-15 is estimated to be \$315,000 (\$50,000 + \$250,000 + \$15,000).
- Minimum of 25 new applicants each year beginning in FY15-16.
- The recurring increase in state revenue to the ABC Fund for FY15-16 and subsequent years is estimated to exceed \$432,500 {[((\$5,000 x 25) + (\$300 x 25) for FY15-16 new entrants] + [(\$250,000 + \$50,000) estimated recurring revenue from FY14-15]}.
- Any increase in administrative expenditures associated with the creation of the new license is estimated to be not significant.
- The ABC also indicates that agents spend a significant amount of time conducting audits to determine the ratio of sales for such entities. Passage of this bill is estimated to allow these agents a significant amount of time to focus on investigation of other types of violations. Any increase in revenue resulting from investigations is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc